



## **King County**

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November 10, 2014

The Honorable Jay Inslee  
Office of the Governor  
PO Box 40002  
Olympia, WA 98504-0002

Dear Governor Inslee:

Thank you for the opportunity to serve on the CERT, to conduct a thorough review of different models for cap and trade and carbon taxes, and to hear a wide range of perspectives on the design of a market-based price on GHG Emissions.

The CERT was charged with providing recommendations on the design and implementation of a carbon emissions limit and market mechanisms program for Washington State. The CERT spent significant time reviewing cap and trade and carbon taxes that have been implemented in Europe, Canada, and California. Much of the CERT's discussion about key design elements is captured in the member perspectives, but is not reflected in the high-level consensus findings. I would like to take this opportunity to weigh in with specific recommendations on the design, consistent with the original charge of the CERT.

### **Need for Action**

Climate change is the paramount challenge of this generation and has far-reaching and fundamental consequences for our economy, environment, public health, and safety. Across Washington – and in King County and its cities – we are already experiencing the impacts of climate change: warming temperatures, acidifying marine waters, rising seas, decreasing mountain snowpack, and less water in streams during the summer. These changes have the potential for significant consequences for public and private property, resource-based economies like agriculture and forestry, health of vulnerable populations, and numerous other issues that are important to our environment, economy, and quality of life.

We are not on track to meet Washington State's greenhouse gas (GHG) emissions limits, as committed to by state law. Based on the information provided to the CERT and King County's own assessments of "what it will take" to achieve local GHG targets, I have concluded that internalizing the cost of GHG emissions – whether through a cap-and-trade

program similar to the one adopted in California or a carbon tax as adopted in British Columbia – is essential to the State’s overall strategy to reduce GHG emissions.

Initial modeling done by the State in support of the CERT indicates a net minor, but positive, statewide effect of modeled carbon pricing scenarios on jobs, GDP, and personal income. These findings are consistent with other market-based programs around the U.S. and world that are showing economic benefits to establishing a market based price on carbon. By internalizing the cost of climate pollution, both a cap and trade and carbon tax should spur innovation, investment, and growth in the clean energy and technology sectors in Washington State.

In addition to the direct economic benefits that will come with a thoughtfully implemented market-based policy, there will be concurrent and important co-benefits from Washington’s effort to reduce GHG pollution. For example, reducing fossil fuel use in transportation will not only reduce GHG emissions, but will also reduce air pollution and associated health impacts, such as asthma risk.

We have enough information about the performance of models from other regions, as well as analysis of likely outcomes in a Washington State context, to proceed with thoughtful, informed design and enactment of a successful and effective Washington State policy.

### **Relationship to Local Actions**

The decisions we make locally and regionally, such as where our communities will grow and how they will be served by transportation, will set the stage for success or failure in reducing GHG pollution and ensuring our communities are livable and resilient to climate change impacts.

Local governments will play a critical role in progress towards the State GHG requirements, and many Washington cities and counties are taking action. In July 2014, the King County Growth Management Planning Council – a formal body of elected officials from across King County and its 39 cities – voted unanimously to adopt a shared target to reduce countywide sources of GHG emissions, compared to a 2007 baseline, by 25 percent by 2020, 50 percent by 2030, and 80 percent by 2050. These goals are even more ambitious than the State’s reduction limits.

Since these targets were adopted, elected officials from many of these cities – through a regional partnership known as the King County-Cities Climate Collaboration (K4C) – have come together to chart out and formally agree to a set of joint actions to help reach these targets. There is much we can and must do at the local level to reduce emissions, from pursuing transit-oriented development to adopting green building standards. But we’ve also highlighted the essential role of a market-based price on carbon pollution and other GHG emissions to send a broader price signal that would reduce fuel use and drive investment in energy efficiency and clean technologies. Reinvestment of a portion of the revenue from the

market-based programs would further leverage local GHG reduction efforts, such as expanded transit service, energy efficiency projects, and forest protection and restoration initiatives.

### **Recommendations**

- **Ease the transition:** While the shift to a market-based approach to reduce GHG pollution is essential, the state should reduce impacts to low income families and individuals through provisions such as offsetting tax reductions and credits.
- **Include transportation:** The transportation sector is the largest source of GHG emissions in Washington State, comprising almost half of the State's emissions, and must be covered under a market-based policy. Because of the heavy reliance in Washington State on fossil fuel energy for transportation, additional complementary actions will be needed to achieve deep reductions for this sector. Overall, a policy design going forward needs to consider an integrated approach which supports efficient land-use policies, transit oriented development, and alternatives to current single occupancy vehicles such as transit, zero emissions vehicles, and alternative fuels.
- **Carefully design allowances and exemptions:** It will be important to design a market-based program that ensures a smart transition to cleaner energy sources for fossil fuel based industries, but also a program that learns from other cap and trade and carbon tax programs and does not give windfall profits to fossil fuel based industries or delay action to reduce emissions in these sectors of the economy. In addition, the design should provide allowances or exemptions for actions that are fuel and energy dependent, but provide significant community scale reductions in GHG emissions, such as transit service.
- **Reinvest in actions that reduce GHG emissions:** A substantial share of revenues generated by either an emissions or price-based market mechanism should be invested in actions that reduce GHG emissions and help communities prepare for the impacts of climate change. For example, California's cap and trade program helps fund local transit service and operations, recognizing the GHG reduction benefits that transit provides by reducing congestion, providing alternatives to cars, and supporting efficient land use and transit-oriented development. Because a market-based solution should not be relied on to achieve all the State's GHG reductions, it will be important to reinvest a significant portion of the program's revenue into efforts that support further reductions beyond the impact of the price on carbon.

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The time for action is now to protect the future of our environment and public health and safety, and to position Washington State to attract investment and economic development in clean energy and 21<sup>st</sup> century technology.

Sincerely,

A handwritten signature in black ink, reading "Dow Constantine". The signature is fluid and cursive, with the first name "Dow" being more prominent and the last name "Constantine" following in a similar style.

Dow Constantine

King County Executive

cc: Rod Brown, Co-Chair, Governor's Carbon Emissions Reduction Task Force  
Ada Healey, Co-Chair, Governor's Carbon Emissions Reduction Task Force  
Rob Greenwood, Principal, Ross Strategic  
Chris Davis, Governor's Advisor on Carbon Markets, Office of the Governor